

House Engrossed

State of Arizona
House of Representatives
Forty-seventh Legislature
Second Regular Session
2006

HOUSE BILL 2837

AN ACT

AMENDING SECTIONS 42-5029 AND 43-206, ARIZONA REVISED STATUTES; RELATING TO
STATE SHARED REVENUES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-5029, Arizona Revised Statutes, is amended to
3 read:

4 42-5029. Remission and distribution of monies: exception:
5 definition

6 A. The department shall deposit, pursuant to sections 35-146 and
7 35-147, all revenues collected under this article and articles 4, 5, 8 and 9
8 of this chapter pursuant to section 42-1116, separately accounting for:

- 9 1. Payments of estimated tax under section 42-5014, subsection D.
10 2. Revenues collected pursuant to section 42-5070.
11 3. Revenues collected under this article and article 5 of this chapter
12 from and after June 30, 2000 from sources located on Indian reservations in
13 this state.

14 4. Revenues collected pursuant to section 42-5010, subsection G and
15 section 42-5155, subsection D.

16 B. The department shall credit payments of estimated tax to an
17 estimated tax clearing account and each month shall transfer all monies in
18 the estimated tax clearing account to a fund designated as the transaction
19 privilege and severance tax clearing account. The department shall credit
20 all other payments to the transaction privilege and severance tax clearing
21 account, separately accounting for the monies designated as distribution base
22 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month
23 the department shall report to the state treasurer the amount of monies
24 collected pursuant to this article and articles 4, 5, 8 and 9 of this
25 chapter.

26 C. On notification by the department, the state treasurer shall
27 distribute the monies deposited in the transaction privilege and severance
28 tax clearing account in the manner prescribed by this section and by sections
29 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against
30 the account pursuant to sections 42-1118 and 42-1254.

31 D. Of the monies designated as distribution base the department shall:

32 1. Pay twenty-five per cent to the various incorporated municipalities
33 in this state in proportion to their population to be used by the
34 municipalities for any municipal purpose.

35 2. Pay 38.08 per cent to the counties in this state by averaging the
36 following proportions:

37 (a) The proportion that the population of each county bears to the
38 total state population.

39 (b) The proportion that the distribution base monies collected during
40 the calendar month in each county under this article, section 42-5164,
41 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
42 bear to the total distribution base monies collected under this article,
43 section 42-5164, subsection B, section 42-5205, subsection B and sections
44 42-5353 and 42-5409 throughout the state for the calendar month.

1 3. Pay an additional 2.43 per cent to the counties in this state as
2 follows:

3 (a) Average the following proportions:

4 (i) The proportion that the assessed valuation used to determine
5 secondary property taxes of each county, after deducting that part of the
6 assessed valuation that is exempt from taxation at the beginning of the month
7 for which the amount is to be paid, bears to the total assessed valuations
8 used to determine secondary property taxes of all the counties after
9 deducting that portion of the assessed valuations that is exempt from
10 taxation at the beginning of the month for which the amount is to be paid.
11 Property of a city or town that is not within or contiguous to the municipal
12 corporate boundaries and from which water is or may be withdrawn or diverted
13 and transported for use on other property is considered to be taxable
14 property in the county for purposes of determining assessed valuation in the
15 county under this item.

16 (ii) The proportion that the distribution base monies collected during
17 the calendar month in each county under this article, section 42-5164,
18 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
19 bear to the total distribution base monies collected under this article,
20 section 42-5164, subsection B, section 42-5205, subsection B and sections
21 42-5353 and 42-5409 throughout the state for the calendar month.

22 (b) If the proportion computed under subdivision (a) of this paragraph
23 for any county is greater than the proportion computed under paragraph 2 of
24 this subsection, the department shall compute the difference between the
25 amount distributed to that county under paragraph 2 of this subsection and
26 the amount that would have been distributed under paragraph 2 of this
27 subsection using the proportion computed under subdivision (a) of this
28 paragraph and shall pay that difference to the county from the amount
29 available for distribution under this paragraph. Any monies remaining after
30 all payments under this subdivision shall be distributed among the counties
31 according to the proportions computed under paragraph 2 of this subsection.

32 4. After any distributions required by sections 42-5030, 42-5030.01,
33 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water
34 quality assurance revolving fund as required by section 49-282, subsection B,
35 credit the remainder of the monies designated as distribution base to the
36 state general fund. From this amount:

37 (a) The legislature shall annually appropriate to:

38 (i) The department of revenue sufficient monies to administer and
39 enforce this article and articles 5, 8 and 9 of this chapter.

40 (ii) The department of economic security monies to be used for the
41 purposes stated in title 46, chapter 1.

42 (iii) The Arizona arts endowment fund established by section 41-986,
43 the full amount by which revenues derived from the amusement classification
44 pursuant to section 42-5073 for the current fiscal year exceed the revenues
45 that were derived from that classification in fiscal year 1993-1994, except

1 that this amount shall not exceed two million dollars through fiscal year
2 2008-2009.

3 (iv) The firearms safety and ranges fund established by section
4 17-273, fifty thousand dollars derived from the taxes collected from the
5 retail classification pursuant to section 42-5061 for the current fiscal
6 year.

7 (b) The state treasurer shall transfer to the tourism fund an amount
8 equal to the sum of the following:

9 (i) Three and one-half per cent of the gross revenues derived from the
10 transient lodging classification pursuant to section 42-5070 during the
11 preceding fiscal year.

12 (ii) Three per cent of the gross revenues derived from the amusement
13 classification pursuant to section 42-5073 during the preceding fiscal year.

14 (iii) Two per cent of the gross revenues derived from the restaurant
15 classification pursuant to section 42-5074 during the preceding fiscal year.

16 E. If approved by the qualified electors voting at a statewide general
17 election, all monies collected pursuant to section 42-5010, subsection G and
18 section 42-5155, subsection D shall be distributed each fiscal year pursuant
19 to this subsection. The monies distributed pursuant to this subsection are
20 in addition to any other appropriation, transfer or other allocation of
21 public or private monies from any other source and shall not supplant,
22 replace or cause a reduction in other school district, charter school,
23 university or community college funding sources. The monies shall be
24 distributed as follows:

25 1. If there are outstanding state school facilities revenue bonds
26 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
27 amount that is necessary to pay the fiscal year's debt service on outstanding
28 state school improvement revenue bonds for the current fiscal year shall be
29 transferred each month to the school improvement revenue bond debt service
30 fund established by section 15-2084. The total amount of bonds for which
31 these monies may be allocated for the payment of debt service shall not
32 exceed a principal amount of eight hundred million dollars exclusive of
33 refunding bonds and other refinancing obligations.

34 2. After any transfer of monies pursuant to paragraph 1 of this
35 subsection, twelve per cent of the remaining monies collected during the
36 preceding month shall be transferred to the technology and research
37 initiative fund established by section 15-1648 to be distributed among the
38 universities for the purpose of investment in technology and research-based
39 initiatives.

40 3. After the transfer of monies pursuant to paragraph 1 of this
41 subsection, three per cent of the remaining monies collected during the
42 preceding month shall be transferred to the workforce development account
43 established in each community college district pursuant to section 15-1472
44 for the purpose of investment in workforce development programs.

1 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
2 subsection, one-twelfth of the amount a community college that is owned,
3 operated or chartered by a qualifying Indian tribe on its own Indian
4 reservation would receive pursuant to section 15-1472, subsection D,
5 paragraph 2 if it were a community college district shall be distributed each
6 month to the treasurer or other designated depository of a qualifying Indian
7 tribe. Monies distributed pursuant to this paragraph are for the exclusive
8 purpose of providing support to one or more community colleges owned,
9 operated or chartered by a qualifying Indian tribe and shall be used in a
10 manner consistent with section 15-1472, subsection B. For THE purposes of
11 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
12 section 42-5031.01, subsection D.

13 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
14 subsection, one-twelfth of the following amounts shall be transferred each
15 month to the department of education for the increased cost of basic state
16 aid under section 15-971 due to added school days and associated teacher
17 salary increases enacted in 2000:

- 18 (a) In fiscal year 2001-2002, \$15,305,900.
19 (b) In fiscal year 2002-2003, \$31,530,100.
20 (c) In fiscal year 2003-2004, \$48,727,700.
21 (d) In fiscal year 2004-2005, \$66,957,200.
22 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
23 \$86,280,500.

24 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
25 subsection, seven million eight hundred thousand dollars is appropriated each
26 fiscal year, to be paid in monthly installments, to the department of
27 education to be used for school safety as provided in section 15-154 and two
28 hundred thousand dollars is appropriated each fiscal year, to be paid in
29 monthly installments to the department of education to be used for the
30 character education matching grant program as provided in section 15-154.01.

31 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
32 subsection, no more than seven million dollars may be appropriated by the
33 legislature each fiscal year to the department of education to be used for
34 accountability purposes as described in section 15-241 and title 15, chapter
35 9, article 8.

36 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
37 subsection, one million five hundred thousand dollars is appropriated each
38 fiscal year, to be paid in monthly installments, to the failing schools
39 tutoring fund established by section 15-241.

40 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
41 subsection, twenty-five million dollars shall be transferred each fiscal year
42 to the state general fund to reimburse the general fund for the cost of the
43 income tax credit allowed by section 43-1072.01.

44 10. After the payment of monies pursuant to paragraphs 1 through 9 of
45 this subsection, the remaining monies collected during the preceding month

1 shall be transferred to the classroom site fund established by section
2 15-977. The monies shall be allocated as follows in the manner prescribed by
3 section 15-977:

4 (a) Forty per cent shall be allocated for teacher compensation based
5 on performance.

6 (b) Twenty per cent shall be allocated for increases in teacher base
7 compensation and employee related expenses.

8 (c) Forty per cent shall be allocated for maintenance and operation
9 purposes.

10 F. The department shall credit the remainder of the monies in the
11 transaction privilege and severance tax clearing account to the state general
12 fund, subject to any distribution required by section 42-5030.01.

13 G. Notwithstanding subsection D of this section, if a court of
14 competent jurisdiction finally determines that tax monies distributed under
15 this section were illegally collected under this article or articles 5, 8 and
16 9 of this chapter and orders the monies to be refunded to the taxpayer, the
17 department shall compute the amount of such monies that was distributed to
18 each city, town and county under this section. The department shall notify
19 the state treasurer of that amount plus the proportionate share of additional
20 allocated costs required to be paid to the taxpayer. Each city's, town's and
21 county's proportionate share of the costs shall be based on the amount of the
22 original tax payment each municipality and county received. Each month the
23 state treasurer shall reduce the amount otherwise distributable to the city,
24 town and county under this section by one thirty-sixth of the total amount to
25 be recovered from the city, town or county until the total amount has been
26 recovered, but the monthly reduction for any city, town or county shall not
27 exceed ten per cent of the full monthly distribution to that entity. The
28 reduction shall begin for the first calendar month after the final
29 disposition of the case and shall continue until the total amount, including
30 interest and costs, has been recovered.

31 H. On receiving a certificate of default from the greater Arizona
32 development authority pursuant to section 41-1554.06 or 41-1554.07 and to the
33 extent not otherwise expressly prohibited by law, the state treasurer shall
34 withhold from the next succeeding distribution of monies pursuant to this
35 section due to the defaulting political subdivision the amount specified in
36 the certificate of default and immediately deposit the amount withheld in the
37 greater Arizona development authority revolving fund. The state treasurer
38 shall continue to withhold and deposit the monies until the greater Arizona
39 development authority certifies to the state treasurer that the default has
40 been cured. In no event may the state treasurer withhold any amount that the
41 defaulting political subdivision certifies to the state treasurer and the
42 authority as being necessary to make any required deposits then due for the
43 payment of principal and interest on bonds of the political subdivision that
44 were issued before the date of the loan repayment agreement or bonds and that
45 have been secured by a pledge of distributions made pursuant to this section.

1 I. Except as provided by sections 42-5033 and 42-5033.01, the
2 population of a county, city or town as determined by the most recent United
3 States decennial census plus any revisions to the decennial census certified
4 by the United States bureau of the census shall be used as the basis for
5 apportioning monies pursuant to subsection D of this section.

6 J. A CITY, TOWN OR COUNTY THAT HAS ANY SANCTUARY POLICY INVOLVING ANY
7 FORM OF AID TO ILLEGAL IMMIGRANTS OR ANY REDUCED OR RESTRICTED ENFORCEMENT OF
8 ILLEGAL IMMIGRATION, AS DETERMINED BY THE STATE TREASURER, SHALL NOT RECEIVE
9 MONIES PURSUANT TO THIS SECTION.

10 ~~J.~~ K. For the purposes of this section, "community college district"
11 means a community college district THAT IS established pursuant to sections
12 15-1402 and 15-1403 AND that is a political subdivision of this state.

13 Sec. 2. Section 43-206, Arizona Revised Statutes, is amended to read:

14 43-206. Urban revenue sharing fund; allocation; distribution;
15 exception

16 A. There is established an urban revenue sharing fund. ~~For fiscal~~
17 ~~year 2000-2001 and fiscal year 2001-2002, the urban revenue sharing fund~~
18 ~~shall consist of an amount equal to fifteen per cent of the net proceeds of~~
19 ~~the state income taxes for fiscal year 1998-1999 and 1999-2000, respectively.~~
20 ~~For fiscal years 2002-2003 and 2003-2004, the fund shall consist of an amount~~
21 ~~equal to fifteen per cent of the amount of monies transferred pursuant to law~~
22 ~~in fiscal year 2000-2001 and 2001-2002, respectively, from the budget~~
23 ~~stabilization fund to the tax refund account of the state general fund plus~~
24 ~~fourteen and eight-tenths per cent of the net proceeds of the state income~~
25 ~~taxes, not including any amounts transferred from the budget stabilization~~
26 ~~fund to the tax refund account, for fiscal year 2000-2001 and 2001-2002,~~
27 ~~respectively. For fiscal year 2004-2005 and each fiscal year thereafter,~~ the
28 fund shall consist of an amount equal to fifteen per cent of the net proceeds
29 of the state income taxes for the fiscal year two years preceding the current
30 fiscal year. The fund shall be distributed to incorporated cities and towns
31 as provided in this section. The transfer of net proceeds prescribed by
32 section 49-282, subsection B does not affect the calculation of net proceeds
33 prescribed by this subsection.

34 B. Each city or town shall share in the urban revenue sharing fund in
35 the proportion that the population of each bears to the population of all.
36 Except as provided by sections 42-5033 and 42-5033.01, the population of a
37 city or town as determined by the most recent United States decennial census
38 plus any revisions to the decennial census certified by the United States
39 bureau of the census shall be used as the basis for apportioning monies
40 pursuant to this subsection.

41 C. The treasurer, upon instruction from the department, shall
42 transmit, no later than the tenth day of each month, to each city or town an
43 amount equal to one-twelfth of that city's or town's total entitlement for
44 the current fiscal year from the urban revenue sharing fund as determined by
45 the department.

1 D. A newly incorporated city or town shall share in the urban revenue
2 sharing fund beginning the first month of the first full fiscal year
3 following incorporation.

4 E. On receipt of a certificate of default from the greater Arizona
5 development authority pursuant to section 41-1554.06 or 41-1554.07, the state
6 treasurer, to the extent not otherwise expressly prohibited by law, shall
7 withhold from the next succeeding distribution of monies pursuant to this
8 section due to the city or town the amount specified in the certificate of
9 default and immediately deposit the amount withheld in the greater Arizona
10 development authority revolving fund. The state treasurer shall continue to
11 withhold and deposit the monies until the authority certifies to the state
12 treasurer that the default has been cured. In no event shall the state
13 treasurer withhold any amount that is necessary, as certified by the
14 defaulting political subdivision to the state treasurer and the authority, to
15 make any required deposits then due for the payment of principal and interest
16 on bonds of the political subdivision that were issued prior to the date of
17 the loan repayment agreement or bonds and that have been secured by a pledge
18 of distributions made pursuant to this section.

19 F. A CITY OR TOWN THAT HAS ANY SANCTUARY POLICY INVOLVING ANY FORM OF
20 AID TO ILLEGAL IMMIGRANTS OR ANY REDUCED OR RESTRICTED ENFORCEMENT OF ILLEGAL
21 IMMIGRATION, AS DETERMINED BY THE STATE TREASURER, SHALL NOT RECEIVE MONIES
22 PURSUANT TO THIS SECTION.